

STAT

**Page Denied**

STAT

NOVEMBER 1953 PRESS REPORTS REVEAL  
DEFICIENCIES IN CHINA'S EXPORT-IMPORT PROGRAM

[Summary: The following items, extracted from the Chinese Communist press for November 1953, point up deficiencies in China's export-import program, particularly in the procurement and transportation of foreign trade commodities. Specific information is provided on the following subjects: new methods of transshipping imports at the Sino-Soviet border, Sino-Soviet terms of trade, cancelation of export agreements due to fluctuating market prices and nondelivery of commodities, and mismanagement of basic construction projects by the Ministry of Foreign Trade.]

STATE-OPERATED FOREIGN TRADE ENTERPRISES STRIVE TO MEET PLANS -- Peiping, Jen-min Jih-pao, 29 Nov 53

At the end of October, state-operated foreign trade enterprises had already paid in 85 percent of their 1953 quota of profits. Various export companies of these enterprises had turned over roughly 80 percent of their profit quota, whereas the China Import-Export Company had fulfilled 92 percent of its profit quota for 1953.

One method of ensuring completion of export plans has been the sending of work teams into production areas to supervise and enforce procurement of commodities. For example, after the China Food Products Company sent four work teams to the East China Administrative Area, the Northeast Administrative Area, the North China Administrative Area, and Inner Mongolia, the daily procurement of hog bristles and fresh eggs rose sharply. Similarly, the China Livestock Products Company sent specialists to the Northwest China Administrative Area who helped solve the wool transport problem there. The China Oils and Fats Export Company likewise sent personnel to various parts of the country to help solve problems connected with the processing and transportation of these products.

Essential factors in completing the fourth quarter export and import plans are the rational organization of transportation, the more efficient use of freight car capacity, and the speeding up of commodity circulation. The Ministry of Foreign Trade has called upon transportation specialists of the companies concerned to make a study of these problems. It has also suggested the following: changing some of the ports of delivery for export products, adjustment of lines of transportation, and the use of sea transport and combined sea and land transport along the coast. The China Land Transport Company has already changed to the method of directly distributing carloads of imports received at Lu-pin, thus saving large sums of money expended in unloading, local transportation, and storage under the old transmittal system.

A number of innovations have been made in increasing freight car load capacity. In loading crated vehicles for shipment out of Lu-pin, the number has been increased from three crated vehicles for two flatcars to eight for three flatcars. Also, the "straddle" loading method has been used effectively at Canton and Harbin, resulting in large savings. Another source of savings has been the new method employed by the China Food Products Export Company in loading refrigeration cars. By substituting industrial salt for table salt and by reducing the ratio of salt to ice from 1:3 to 1:4, 5 billion yuan can be saved.

A number of foreign trade enterprises have recently improved their systems of operations. Following an investigation of the quality of its work, the China Machine Import Company was able to reduce its losses by 3,400,000,000 yuan. It was able to locate buyers for one billion yuan's worth of blowers erroneously purchased abroad in 1951 and kept in stock since that time.

STAT

CONFUSION IN SUPPLY SYSTEM AFFECTS EXPORT PROGRAM -- Tientsin, Ta Kung Pao,  
14 Nov 53

The mobilization of China's local products for export is of great significance for our present economic construction program. At the same time, it provides an important source of income to the nation's farmers and herdsmen, particularly in the Northwest Administrative Area. It is estimated that there are 500 varieties of local products in the Northwest, of which 100 are suitable for export. During the first 8 months of 1953, some 12 million catties of 40 varieties of local products were procured by the Northwest China Local Products Export Office. However, a sharp increase in the market price of local products during August and September affected adversely the operation of the export program.

The price rise at the Sian market in the period from 1 July to 1 September can be seen in the following examples: ligusticum up 50 percent; tang-shen (a ginseng substitute) up 111 percent; bitter almond up 40 percent; fa-ts'ai up 90 percent; and milkvetch up 100 percent. This sharp price rise is more unreasonable because the market price of these same products at coastal ports was considerably lower. For example, the price of bitter almond was 27 percent lower in Tientsin than at Sian, despite the fact that transportation and marketing charges normally raise the Tientsin price 50 percent over that of Sian. Moreover, there has been no noticeable increase in the selling price of these products abroad.

What, then are the reasons for this topsy-turvy price differential between the inland and seacoast market prices of local products? Of the three causes, the most important is the illegal activity of private merchants who competitively bid up prices and engage in speculation. For example, agents of private merchants in Canton, Hankow, and other cities have purchased some one million catties of ligusticum at high prices, in Sian, or roughly 25 percent of the entire Northwest Administrative Area's production of this export item.

Defective handling of barter and price transactions by the customs authorities is partially responsible for this state of affairs. Because profits on imports are large, private merchants are willing to pay high prices for export commodities and take losses on their sale abroad.

Finally, state companies at seaports have been guilty of poor planning, failure to balance production and sale, and penetration of the production areas, with the result that prices have been bid up in competition with inland trade companies and cooperatives.

These price fluctuations and the generally unstable condition of the local products market have combined to affect adversely the fulfillment of export agreements. A good many trading units have been unable to provide delivery at the specified time, even to the point of necessitating the cancelation of agreements by export units. An even more serious result of this sharp price increase is the stimulus to the blind production of local products, which in turn will give rise to marketing problems in the future.

To rectify this market situation, the following measures should be adopted: balancing supply with domestic and foreign demand; coordination of procurement in production areas by local financial committees; strengthening market controls and adjustment of regional price differentials; punishment of private merchants engaged in speculation; and enforcement of contracts entered into by cooperatives to supply local products for export.

STAT

PROCUREMENT OF LOCAL PRODUCTS FOR EXPORT -- Tientsin, Ta Kung Pao, 23 Nov 53

Large-scale procurement of local products and supplementary agricultural products for export is an important method of insuring the success of Chinese economic construction.

A few examples will prove the validity of this statement. The value of local products exported to fraternal nations in 1952 was more than enough to purchase steel rails for a railway extending from Canton to Lu-pin. The value of cured tobacco exported in 1952 was sufficient to buy 7,808 Soviet KT-12 tractors. The quantity of ramie exported in 1952 was equivalent in value to 175 locomotives of 350 horsepower each.

On the other hand, it is estimated that local products account for about 30 percent of the nation's farm income. Those products which are exported, then, provide from 6 to 7 percent of farm income. Some 14 million people in the Southwest Administrative Area alone rely on the income from local products for their livelihood.

To carry on an effective procurement program, it is necessary for the companies engaged in foreign trade to commission cooperatives to purchase agricultural, supplementary agricultural, and local products. At the same time, they must send out representatives to enforce contracts and to overcome the negative attitude of remaining in the seaports awaiting delivery. Trade units and other concerned units must overcome their particularism exhibited in the stressing of domestic sales and the slighting of exports, and deliver commodities to the export companies on schedule.

MISMANAGEMENT AND WASTE IN FOREIGN TRADE AGENCIES -- Peiping, Jen-min Jih-pao, 17 Nov 53

Recently, the Ministry of Foreign Trade held a conference for the purpose of examining conditions of its subordinate agencies in their basic construction efforts. Many cases of blind mismanagement were uncovered. For instance, the Chungking Tea Factory was built too far from the sources of supply. The closest sources are 300 li [one li equals one-third mile] distant and the farthest sources are from 800 to 900 li away. The plant was built to handle 8,000 piculs of tea per year but the yearly purchase actually amounted to only 1,000 piculs. The San-chieh Tea Factory in Chekiang Province was built only 60 li from two other tea factories, which were more than adequate to handle local production. Furthermore, the new factory was built on top of a mountain in a place inconvenient for the workers and for supplying such things as drinking water. The Yueh-yang Tea Factory in Hunan spent 600 million yuan repairing a storehouse, but since this is not an important tea producing area there was little need for such a storehouse. Work was started in 1952 on the Mukden Food Processing Plant but even today some 85 engineering and machinery blueprints are still lacking. Recently, it was discovered that the location is not suitable and there is thought of moving the plant.

From the viewpoint of building materials and construction costs, there has been much misunderstanding of the needs of modernization and mechanization. Tea Factory No 4 in Heng-chou was built out of reinforced concrete and used an area of 200 mou [one mou equals 1/6th acre] for the construction. The cost of 70 billion yuan was completely out of line with the value of the factory to the national economy.

STAT

There is also the error of allowing construction capital to accumulate and remain idle in banks. Figures show that during the first half of 1953 about 50 percent of the construction funds distributed by the Ministry of Foreign Trade was left idle in various local banks. The Shanghai Food Export Company had 80 percent of its' construction capital tied up in this way, and some other companies showed similar accumulations of 70 to 80 percent.

- E N D -

STAT

- 4 -